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SUBJECT: A/USTR NOVELLI'S JUNE 21 MEETING WITH TRADE
MINISTER BASHIR

1. (sbu) Summary: A/USTR Novelli discussed the President's MEFTA plans, US-Jordan FTA follow-up, and QIZ's with Trade Minister Salah Eddin al Bashir in a June 21 meeting on the margins of the World Economic Forum at the Dead Sea. Novelli and Bashir also discussed the possibility of expeditiously working out a bilateral Government Procurement Agreement (GPA) to provide for better access into procurement markets in each country while Jordan negotiates its accession into the WTO's GPA. Finally, Bashir asked for additional USG assistance to improve Jordan's capacity to produce agricultural products acceptable to the US market. End summary.

MEFTA 101

2. (sbu) A/USTR Novelli outlined the President's goals for the Middle East Free Trade Area, highlighting the USG's desire to create a free trade area encompassing all willing partners in the region within ten years. Novelli explained the USG's strategy to move partner countries along the path to free trade in stages depending on their current level of reform - i.e., bringing non-WTO member countries into the WTO; creating conditions precedent for an FTA in liberalizing countries, and concluding FTA's with countries with the appropriate level of reforms in place. She added that Jordan, along with Morocco and ultimately Bahrain, would be the "poles" around which neighboring countries in the Levant, Maghreb and Gulf, respectively, would cluster in creating compatible free trade infrastructures. These free trade "clusters" would ultimately be united in a greater free trade area that would adopt the most rigorous standards from each agreement. Novelli noted that Egypt represented a special challenge, and that it was still unclear how the free trade relationship with Egypt would develop.

BASHIR WELCOMES MEFTA, BILATERAL FTA COOPERATION

3. (sbu) Bashir said the GOJ looked forward to having regional FTA partners to cooperate with, noting especially that new opportunities for cumulation of origin among FTA partners would help boost intra-regional trade. He noted that Singapore had expressed interest in signing an FTA with Jordan (its first with a middle eastern country), and that the GOJ was considering the offer favorably. Bashir asked Novelli if it would be possible for Jordan to cumulate origin with Iraq, given the centrality of Iraq to Jordan's trade future. Novelli responded that cumulation was currently only being considered among countries that enjoyed FTA's with the U.S., primarily because opening cumulation up to countries that had not made appropriate commitments to reform would degrade the integrity of the FTA's themselves.

4. (sbu) Following up on the December 17, 2002 Joint Committee meeting, Bashir said the GOJ had nearly completed the list of tariff line items for which it was requesting accelerated tariff reduction under the FTA. He added that the GOJ was ready to move forward expeditiously to hold the first Joint Environmental Forum meeting. Novelli said the USG was ready to work with the GOJ to conclude all the outstanding items from the December meetings, and urged Bashir to submit any requests as early as possible. She emphasized, though, that under the terms of the Trade Promotion Authority granted by the U.S. Congress, USTR would have to look for some measure of reciprocity in any request for further tariff reductions.

NEWS FROM THE QIZ's

5. (sbu) Bashir informed Novelli that the GOJ and Israeli governments would soon pass to USTR applications for QIZ designation for two new sites in Jordan, as well as an application to expand the al Tajammouat QIZ in Amman. He said a recent visit to Amman by Israeli QIZ chief Gaby Bar had set the stage for Israel's trade minister to sign off on the new QIZ's. Bashir noted the visit also brought the GOI and GOJ closer to an agreement to adjust the Israeli input percentage requirement under the QIZ initiative. He described a "sliding scale" incorporating marginal rates for progressively higher-cost goods (i.e., goods would be

assessed 11% input requirement on the first \$2 of value, 8% on the next \$2, and so on, to a floor of 2% for every dollar of value above an agreed limit - e.g., \$10). Bashir said he was confident the two sides could reach a final agreement on the mechanism "within weeks." Finally, Bashir said he was trying to put together a conference for current and potential textile sector investors, aiming for a mid-October date. He promised to keep USTR apprised of QIZ developments.

BILATERAL GPA POSSIBLE?

16. (sbu) Novelli recounted remarks she heard in other events regarding difficulties U.S.-Jordanian joint ventures are experiencing when bidding on government procurement contracts in the U.S., and expressed willingness to work with the GOJ to expedite the opening of procurement markets on a bilateral, and reciprocal, basis. Bashir noted that the GOJ had submitted its initial entities offer to the WTO's GPA committee, but acknowledged that negotiations on final accession could take some time. He agreed with Novelli that a bilateral agreement with the U.S. would be a useful interim measure, and said the GOJ would follow up through the embassy.

AG SECTOR DEVELOPMENT

17. (sbu) Bashir said the GOJ is taking a greater interest in building capacity in the agricultural sector, with an eye to exporting Jordanian ag products to the U.S. and other western markets. He noted the GOJ recently established its own autonomous food and drug administration, and added that Jordan's health ministry is developing a relationship with the U.S. Department of Health and Human Services.

18. (u) A/USTR Novelli did not have an opportunity to clear this message.

GNEHM